

Message Text

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ACTION AGRE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 9462

INFO ALL EC CAPITALS

USMISSION GENEVA

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EMBASSY ALSO FOR USEEC

EMBASSY ALSO FOR MTN

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: LEVIES ON EC IMPORTS OF MILLING RESIDUES

REF: STATE 206285

1. SUMMARY. ALL CROSS SECTIONS OF UK AGRICULTURE STRONGLY OPPOSE EC COMMISSION INTENTION TO QUADRUPLE IMPORT LEVY ON WHEAT FEED (WHICH WOULD INCREASE LANDED PRICE PER TON BY ROUGHLY \$50 MAKING WHEAT MILLING BY PRODUCTS MORE EXPENSIVE THAN WHOLE GRAIN). OPPOSITION BASED ON ARGUMENT THAT RESTRICTION OF FREEDOM OF CHOICE WITH RESPECT TO MANUFACTURED FEED INGREDIENTS INEVITABLY RESULTS IN FEED PRICE INCREASES FOLLOWED BY LIVESTOCK END-PRODUCT PRICE INCREASE. ACCORDING TO GOVT AND TRADE
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ASSOCIATION SOURCES, ONLY HOPE OF DERAILING WHAT IS CONSIDERED A FOREGONE DECISION TO INCREASE LEVY IS INTENSIVE PRESSURE FROM INTERESTED THIRD COUNTRY GOVERNMENTS.

2. MINAG OFFICIALS, GRAIN AND FEED TRADE ASSOCIATION (GAFTA) EXECUTIVES AND MAJOR UK COMPOUNDERS JOINTLY AND

STRONGLY OPPOSE POSSIBLE FOUR-FOLD IMPORT LEVY INCREASE FOR MILLING RESIDUES. OFFICIAL PROTESTS HAVE ALREADY BEEN LODGED IN BRUSSELS BY THE UK MINISTRY OF AGRICULTURE. GAFTA, WITH THE HELP OF KEY UK FEED MANUFACTURERS, HAVE BEEN INUNDATING THE UK MINAG, EC COMMISSION AND FEFAC WITH LETTERS AND OTHER MATERIAL AS PART OF A FULL BLOWN CAMPAIGN TO REVERSE WHAT THEY FEAR IS A FOREGONE CONCLUSION.

3. A QUADRUPLING OF THE LEVY WOULD INCREASE THE LANDED PER TON PRICE FOR "WHEAT FEED" BY APPROXIMATELY \$50 MAKING IT MORE EXPENSIVE THAN CURRENT UK MARKET PRICES FOR WHOLE GRAIN. FOR THE UK, A PARTICULAR CONCERN IS THAT ONCE CONTINENTAL EUROPE'S IMPORTER SUPPLIES OF WHEAT FEED ARE CUT OFF AS RESULT OF THE LEVY INCREASE, UK DOMESTIC SUPPLIES WILL BE BID AWAY BY THE DUTCH AND GERMANS. MAJOR COMPOUNDERS ESTIMATE NET PRICE IMPACT PER TON COMPOUND FEED WOULD BE AVERAGE INCREASE OF \$6. FOR PIG RATIONS WHICH INCORPORATE A HIGHER PERCENTAGE OF WHEAT SCREENINGS THAN OTHER COMPOUNDS, THE INCREASE IS PROJECTED AT \$10 PER TON. GIVEN CURRENT CONTINUING POOR PROFITABILITY SITUATION FOR PORK PRODUCERS, AN INCREASE OF ANY MAGNITUDE WOULD BE POLITICALLY DAMAGING. FURTHER, MINAG OFFICIALS ARGUE THAT WHEN WHEAT FEED IS PRICED OUT OF THE MARKET IT WILL BE REPLACED MOSTLY BY MANIOC AND NOT BY EC CEREALS AS ARGUED BY THE COMMISSION.

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4. IN CALENDAR 1977, UK IMPORTS OF WHEAT MILLING RESIDUES (CXT NO. 23.02 AII A&B) TOTALLED 204,000 TONS. IN CY 1976, 256,000 TONS. CANADA IS THE PREDOMINANT SUPPLIER (PELLETED WHEAT SCREENINGS) WITH WELL OVER 65 PERCENT OF THE MARKET. US EXPORTS TO THE UK WERE 47 TONS IN 1976 AND 239 TONS IN 1977.

5. GAFTA EXECUTIVES ADVISE THAT ONLY THE UK AND POSSIBLY THE DUTCH WILL OPPOSE THE PROPOSAL AT THE SEPT 21 MANAGEMENT COMMITMENT. MINAG OFFICIALS SAY THERE IS LITTLE CHANCE THAT AGMINISTER SILKIN WILL RAISE THIS ISSUE AT THE MINISTERIAL LEVEL DUE TO HIS "DOGHOUSE" POSITION RE EC FISHERIES MATTERS. APPEALS TO THE EC TO ADDRESS THIS QUESTION IN THE COUNCIL HAVE BEEN REJECTED. BOTH UK GOVERNMENT AND TRADE SOURCES FEEL THAT LAST HOPE LIES WITH THIRD COUNTRY POLITICAL PRESSURE. GAFTA HAVE CONVINCED GOVTS OF NIGERIA AND SIERRA LEONE TO FILE OFFICIAL COMPLAINTS WITH COMMISSION STATING THAT ACTION WOULD REPRESENT BREACH OF SPIRIT OF LOME CONVENTION. MINAG OFFICIALS ARE HOPEFUL THAT US WILL ASSUME TOUGH STANCE BUT ARE OPENLY PESSIMISTIC THAT PENDING ACTION CAN BE REVERSED.

STREATOR

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